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ABSTRACT

Much of today's rural America will be the fastest growing part of the nation in the next half century. The spread of large cities and the creation of new ones, the addition of almost 30 million senior citizens, and immigration into rural areas are powerful forces contributing to the development of rural America. Rural areas are competitive in a broad and growing range of industries, which in time will include elements of the new economy. Some rural places will be left behind. The Appalachian Regional Commission has demonstrated that successful regional development is possible, but the political will is lacking to implement it elsewhere, and rural places languish unnecessarily with poverty and unemployment. Our current statistical system makes it impossible to talk about rural America from a factual foundation, as "rural" is only defined as the absence of "metropolitan" and is confined to county boundaries. That which is rural must be defined and measured, because urban and rural are intertwined and key policy issues result from their interaction. The continuous metropolitanization of rural America is one dimension of that interaction, but metropolitanization does not mean the demise of rural activities, as demonstrated by more than a million metropolitan farmers. Rural policy must assure that growth happens on fair and wise terms conducive to both rural and urban people and activities. (Contains 14 references.) (TD)

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Creating New Economic Opportunities: The Competitive Advantages of Rural America In the Next Century

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Andrew M. Isserman

My assignment for this paper was straightforward: You "should achieve one essential mission: identify where rural America's comparative advantage may lie in the coming century." "Peer into the future" and determine "from where the new economic engines for rural America are going to come." Mission impossible? Perhaps. Mission essential? Definitely. As Nathan Keyfitz, the noted demographer at Harvard University once wrote, "Standing against this assertion of the absolute impossibility of knowing the future is the absolute necessity of a picture of the future if behavior is to make any sense" (Keyfitz).

Completing the mission requires going beyond the safe boundaries of empirical social science research and entering the misty realm of forecasting, story telling, and fantasy. The story I shall tell spans two centuries. It begins in 1900 to give us some perspective on what it means to think ahead a century and to recall the perils of rural life in the midcontinent wilderness only 100 years ago. Then, more humble, we jump to 1950 and modern statistics. They will help us understand today's rural competitive advantage from the way it has manifested itself over the past half century. That way, it turns out, is often spectacular and sometimes contradicts the very core of how we think of rural America.

Rural America has important competitive advantages for far more than a place to grow or a place to extract natural resources. Its advantages derive from matters of geography, demography, and policy as well as economics. A century ago these advantages were less evident, and rural life was fragile.

1900

We begin with a woman's memoir, *Rachel Calof's Story*, subtitled Jewish Homesteader on the Northern Plains (Rikoon). Her words are a sober testament to rural life and human mettle a hundred years ago. The difference between her conditions and ours shows us the huge chasm that we must leap to move ahead a century, even speculatively in our mind's eye. Listen to her:

> Our lives were uncomplicated. Our purpose was survival, and through survival the hope that somehow the future would treat us more kindly than the past (p. 67).

> The winters dominated our lives. It seemed that all our accomplishments during the warm season had to be directed to lasting through this one season. Even though this summer justified optimism in our view of the future, we were still in a weak position for the coming ordeal of winter (p. 69).

> We knew that sudden and fearful misfortune was ever close on the prairie. We were terribly vulnerable and we never forgot it. . . . This year [1900] we had planted most of the land in wheat. We had great expectations. . . . A better life awaited just ahead. Dear reader, it was not to be. . . . The storm passed as

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> quickly as it came, and we surveyed the wreckage it had left behind. Ruin and desolation lay all about us. No wheat crop, no hay, the horses dead, the shack full of water, the windows broken out. The soil itself was torn and warped. I suppose this was as good a time and reason as any to give up the long, unequal struggle. But we had become resilient and tempered by hardships and, surprisingly, our first emotions were joy and thankfulness that we had been spared. We had come very close to success this time. Next year might well be the year of fulfillment (pp. 75-77).

> I must say that personally the most dependable state of affairs that I knew during the many years I lived on the prairie was pregnancy, and soon I was again carrying my usual load. . . . I felt certain that this time I would not come out of it alive (p. 73).

The ordeal of winter, the long, unequal struggle to survive, the threat of sudden misfortune, the danger of childbearing, and the thin line between tragedy and happiness—all tempered by gratitude for being spared and the hope for a kinder future—that was Rachel Calof's rural America of 1900. True, rural America was diverse then as it is now. Yet we can reasonably assume that daily life for rural Americans in 2100 will differ as much from today's as the Calofs did.

A timid thinker cannot leap from Rachel's reality—the nearest doctor 60 miles and three days away, the lifesaving properties of straw when the winter fuel is gone—to our reality of medical advice provided through the Internet with medicines and other city goods delivered overnight by airplane. The rare creative soul who can make such a fantastic leap probably leaves behind all tethers to social science, not to mention all connection to an audience dedicated to the pragmatic consideration of economic realities and public policy directions.

1950

I feel more confident trying to peer ahead 50 years, aided not by autobiography but by modern statistics and a thought experiment. Imagine we had convened here in 1950. What would we have had to anticipate in order to predict how rural America would evolve from 1950 to today? What can we learn about the changes ahead by looking backward and examining the changes of the past 50 years? What has happened to the rural America of 1950?

The 1950 census marked the debut of the standard metropolitan area. The interagency Federal Committee on Standard Metropolitan Areas developed this concept because "for many types of social and economic analysis it is necessary to consider as a unit the entire population in and around the city whose activities form an integrated social and economic system" (U.S. Department of Commerce 1953, p. 27). Then and now the basic building blocks are counties. A metropolitan area had at least one city with 50,000 inhabitants or more to which were added contiguous counties if "they are essentially metropolitan in character and socially and economically integrated with the central city." The criteria for inclusion concerned the number of "nonagricultural workers," population density, commuting to and from the county with the largest city in the metropolitan area, and the volume of telephone calls to that county (an average of four or more calls per month per phone subscriber).

Here was the beginning of the statistical separation of the United States into places that were parts of metropolitan areas and those that were not. This bifurcation continues today and shapes the information we receive and, therefore, how we think about rural areas. Nonmetropolitan areas are not defined in terms of rural character. They are simply counties that lack a medium-size city or a qualifying combination of population density and commuting. The term nonmetropolitan has caught on to such a degree that even the U.S. Department of Agriculture routinely includes in reports words such as "the terms rural and nonmetro are used interchangeably in this report" (USDA, p. 25).

Figure 1
METROPOLITAN AMERICA, 1950

Figure 2
METROPOLITAN AMERICA, 1999

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Using these definitions, the 1950 census revealed that urban America had grown faster than rural America. It leaped 21 percent between 1940 and 1950, adding 15 million people. Rural America was not declining. Its population increased 7 percent, adding 4 million people. Yet there were 12 percent fewer farms in 1950, and 7 million fewer people living on farms. Rural America was home to 44 percent of the U.S. population in 1950, down from 47 percent a decade before.[1]

Against this background of relative rural decline (similar to present trends), had I argued in 1950 that rural America had certain key competitive advantages and would grow faster over the next half century than urban America, I probably would not have been taken seriously. But I would have been right! From 1950 through 1999, rural America grew 89 percent compared to 72 percent for urban America. In absolute terms the numbers are almost equal: rural America added 58 million people, and urban America 61 million people. If I had predicted that 146 million people would be living in urban America by 1999 and 124 million in rural America, I would have been almost exactly on the mark.[2]

How can that be? Census Bureau statistics say that about 20 percent of the U.S. population is in rural America in 1999, not the 46 percent of my totally valid "prediction." The explanation is simple. Between 1950 and the present, the Office of Management and Budget took 564 counties out of rural America and reclassified them as metropolitan (Figures 1 and 2). Today some 71 million people, one-fourth the U.S. population, live in what was rural America in 1950 but is considered urban America today.

Thus, when we contemplate the future of rural America and new policy directions, we need to be careful of what rural America we are discussing. Much attention has focused on the brain drain of people moving from rural America to the employment opportunities and city lights of urban America. In the metropolitanization of 1950s rural America, however, the people did not leave. Urban America came to them. One-third of the residents in 1950 rural America would be absorbed into urban America without leaving home.

The magnitude of this force on the future of rural America should not be underestimated. Rural America has great competitive advantages for urban development, not the least of which is abundant land available in large lots, generally uncontaminated and undeveloped, at relatively low prices.

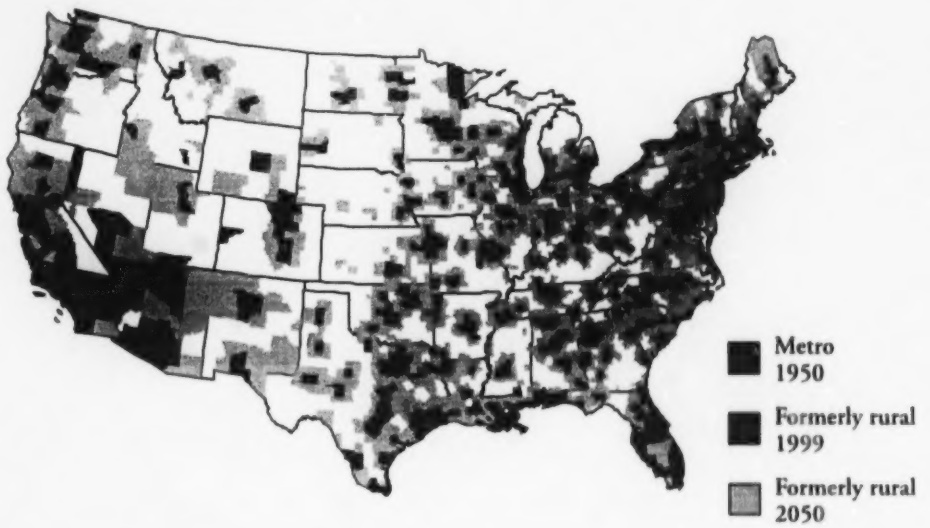
Formerly Rural America

The implication of this lesson from the 1950s is powerful. Much of what we consider rural America today will be urban America in 2050. The cause is twofold. Part is geographical destiny, the result of being near metropolitan areas. Part is economic growth centered on small cities. As rural areas grow in employment and population, they cross the statistical divide of the Office of Management and Budget. They become metropolitan areas and disappear from the statistics and roll call of rural America.

Perhaps we should recognize at least three categories—urban, formerly rural, and still rural—when we analyze the condition and future of rural America and consider policies to promote its desirable evolution. We might even dare to call them nonrural, mixed rural, and rural. We conscientiously track urban versus rural, but we can learn further lessons about rural development by keeping track of formerly rural as well.

This metropolitanization of rural America creates tremendous employment opportunity. Formerly rural America added 21 million jobs between 1969 and 1997. Its increase of 136 percent far outpaced the rest of urban America, which grew 59 percent, and the rest of rural America, which grew 55 percent.[3] Looked at in another way, formerly rural America has added more jobs since 1969 than cur-

Figure 3
METROPOLITAN AMERICA, 2050



rently exist in the entire state of California. Formerly rural America is a vibrant place, and much of today's rural America will become formerly rural.

There is no reason to expect the metropolitanization of rural America to cease. The interesting question is what percent of today's rural America is likely to turn, or be turned, to urban within the next 50 years? A guess, a very crude initial estimate, can be made using the rural-urban continuum county code developed by the U.S. Department of Agriculture (Butler and Beale). Three of its nine groups are rural counties physically adjacent to metropolitan areas and economically linked to them.

More than half today's rural population lives in these adjacent counties, 31 million people. Another 7 million live in rural areas whose counties include city populations of 20,000 or more; with some growth, they could become metropolitan, too. In fact, only 31 percent of the people in today's rural America live outside these adjacent counties and small cities. Merely 6 percent of the nation's population, that rural core is nevertheless a multitude: 17 million rural folks, almost equal to the population of New York, the third largest state.[4]

If the lesson of the 1950s holds true, and there is no sign that the outward expansion of large cities and the growth of small cities are abating, the metropolitan geography of 2050 will look very different from today's. The version in Figure 3 adds the adjacent counties and small city counties to the metropolitan landscape. In fact, not all these counties will become metropolitan, and some that are shown as remaining rural will become metropolitan. In the previous half century, the home counties of 36 percent of the rural population became formerly rural, not 69 percent as suggested by Figure 3.

The rural America of 1950 found room for another 59 million people. Rural Clark County,

Nevada, jumped from 48,000 people to 1.2 million in becoming metropolitan Las Vegas; rural Pima County, Arizona, expanded from 141,000 to 804,000 in becoming metropolitan Tucson; and rural Gwinnett County, Georgia, went from 32,000 to 546,000 in being absorbed into metropolitan Atlanta. Where will the next extra 60 million folks locate in rural America, or 40 million, or 80 million? Where will the next Las Vegas and Tucson be? Whatever the answers, one thing is certain: much economic opportunity will occur for rural Americans as large cities spread and new ones are created.

The Economic Character of Rural America

What happens to the character of rural America and its economic activities when they become absorbed into metropolitan America? Before answering this question, we need a working definition of rural America. The official dichotomy between metropolitan and nonmetropolitan counties is of very limited value. What should we expect when rural is simply defined as that which does not qualify to be metropolitan, that which lacks a metropolitan character? Recall that rural is literally a nonplace, nonmetropolitan because it does not meet certain requirements of population size, density, and commuting.

Yet rural is, more than a non-sense, an absence of certain city and suburb conditions. We probably share a good sense of what rural is. It goes beyond another, sometimes-used census definition. Rural includes anything that is not in a town or city of 2,500 residents or more, another nondefinition that defines rural by what it is not. Perhaps it is more fruitful to start with economic function, not with population clusters and commuting. There are certain things that rural areas do well.

Farms, ranches, forests, and mines—these are the loci of rural activities, the old, old economy, the primary sector. They cannot be done with lots of people around. People trample the corn, complain of livestock odor and dust, start forest fires, and initiate lawsuits when blasting or mine subsidence damages their homes. The primary sector and related secondary activities in manufacturing like food processing, saw milling, and farm machinery create economic clusters from which rural regions can prosper. They are unique to rural areas because they are resource-based.

Rural areas also are the loci of economic activities for which we seek out separation, a location apart. The list is long and varied. Most are relatively self-contained communities. Some are located apart by deliberate government policy, including Native American reservations, university campuses, military bases, and prisons. Others are located apart by the private sector, including manufacturing branch plants, tourism resorts, and retirement villages.

Rural America is also the home of reserves, places set aside. Here we find most of our national parks, wilderness areas, wildlife sanctuaries, national and state forests, flood plains, regional landfills, test grounds, strategic petroleum storage depots, national rivers and trails, and missile ranges.

Finally, no sketch of rural America can be complete without small towns and cities, the places where the pace is a bit slower, the crimes fewer, and all the children above average. Like rural America in general, they can be sketched in rich, happy colors or dreary grim ones. Both portraits are true to life somewhere, sometimes.

Rural America has certain economic disadvantages—a small labor force and lower population density. They translate into less local market demand, more limited production capacity, and fewer business services. Rural America lacks those city amenities most prized by readers of *Money* magazine, when they rank the nation's best places to live each year. Missing are professional major league

sports teams, five-star restaurants, symphonies, opera, dance, and theater, museums, classical music stations, art galleries, large public libraries, zoos, amusement parks, and more. Rural America also does not offer recent college graduates large numbers of their peers to join in work and play. It does not offer the frail elderly first-rate, highly specialized medical care. It does not offer parents of young children outstanding college-preparatory schools with a full spectrum of advanced placement courses and foreign languages. In short, almost by definition, rural America cannot compete with large population concentrations in making possible a great specialization and variety in both production and consumption.

On the other hand, rural America has numerous competitive advantages. It offers its own amenities—natural areas, outdoor recreation, broad vistas, peaceful sunsets, and what might be called AMENities—freedom from congestion, crime, commuting, pollution, change, diversity, and the conflicts of urban life. It also offers lower land costs, lower building costs, lower housing prices, lower labor costs, lower security costs, lower parking costs, and lower taxes. Since the 1930s, these cost advantages have been translated into public policy designed to attract manufacturing branch plants and their postindustrial variants including back offices, reservation services, and information centers.

The Internet follows the telephone, airplane, and interstate highway as the latest innovation to lower greatly the cost of communication and transportation to and from rural areas. With these lower costs, people ask, will there be a rural renaissance? Will rural areas become more competitive? The advantages to rural residents as consumers are evident; the huge inventory of three or more massive bookstores is now available in most parts of rural America, to cite but one traditional city amenity. The advantage to rural areas as producers is less clear. True, the Internet can bring the market to rural producers, but can rural producers achieve the scale necessary for warehouses, order fulfillment, and other aspects of Internet sales? The answer appears to be yes, judging by statistics that show how rural America has adapted to opportunities in the past half century.

The Metropolitanization of Rural America

Rural America disappears into metropolitan America in the way we keep and analyze statistics; but in a far truer sense, it does not. If we define rural America in terms of its hallmark industries, its small town lifestyle, and its open spaces, much of rural America is doing well and prospering within metropolitan America. The dichotomy of metropolitan-nonmetropolitan is a false one and does us a disservice when we incorrectly take those words to mean urban-rural or city-country. When we think about rural America, when we search for rural economic opportunities and formulate rural policy options, we should not stop at the official metropolitan line. The border between HUD and USDA, between urban and rural policy, should not be drawn there. We need a reunification of rural America in the way we think about rural America.

Rural policy and urban policy should recognize the interaction and juxtaposition of urban and rural activities and urban and rural people within metropolitan areas. The point here is not only farmers markets, bed and breakfasts, country inns, property taxation and farmland, annexation, growth control, and conflicts of lifestyles between new and established residents on the urban fringe—important as those things are—but also and especially the viability of hundreds of thousands, if not millions, of rural jobs within metropolitan areas. Much of rural America exists within metropolitan America.

Farming is the ultimate example. Using as the measure of outcome, the ability of farmers to stay in farming, farming does best not in rural America but in formerly rural America. In 1997, there were

Table 1
FARMING EMPLOYMENT BY COUNTY TYPE

County type	Number of counties	Jobs 1969	Jobs 1997	Change	Retention (percent)	Farm/total 1969 (percent)	Farm/total 1997 (percent)
Rural	2,249	2,549,462	1,800,021	-749,441	71	14.6	6.6
Formerly rural	557	963,620	784,752	-178,868	81	6.3	2.2
Urban 1950	274	450,092	357,494	-92,598	79	.8	.6
All	3,080	3,963,174	2,942,267	-1,020,907	74	4.4	1.9

Sources: *Regional Economic Information System* (USDC 1999b) and author's calculations.

785,000 farmers and farm employees in the metropolitan counties of the former rural America. The number is down from 964,000 in 1969. Yet that retention rate of 81 percent is considerably higher than the 71 percent rate in rural America. There are even 357,000 farmers within the boundaries of 1950 metropolitan America, and their retention rate is 79 percent.[5] Thus, well over a million people farm within today's metropolitan America, almost two-fifths of the nation's farmers (Table 1). The country is alive and well in the city.

The relatively high retention rates of metropolitan farmers suggest that there might be some advantages to farming in the proximity of cities. Three testable hypotheses come quickly to mind. In metropolitan areas members of farm households are more likely to obtain and hold off-farm jobs. Also, some farmers can sell off pieces of land from time to time to raise capital and funds for other purposes. Finally, some farmers may be able to provide specialty crops and other goods to local markets and wholesalers.

Manufacturing, on the other hand, does particularly well in rural America. Together rural America and formerly rural America added over 2 million manufacturing jobs between 1969 and 1997, while 1950 urban America lost more than 3 million jobs.[6] Rural and formerly rural America now have 84 percent as many manufacturing jobs as urban America, up from 48 percent in less than three decades (Table 2).

Formerly rural America has the fastest growth rate for manufacturing jobs, 42 percent over 28 years. Next comes rural America. Whereas it may have once seemed heroic to attract manufacturing jobs to rural areas, rural America now has proportionately more manufacturing jobs than either former rural America or urban America. There is an important implication here for the potential of rural America to secure jobs in the new economy. Since rural America can supply the labor force, infrastructure, and logistics sufficient for manufacturing activities, it ought to be able to do the same for similar activities involved in e-commerce warehouses and distribution centers.

The manufacturing case also shows how certain urban jobs and industries are spun off to rural areas. In the next half century, other jobs will follow—also

Table 2
MANUFACTURING EMPLOYMENT BY COUNTY TYPE

County type	Number of counties	Jobs 1969	Jobs 1997	Change	Percent Change	Mfg/total 1969 (percent)	Mfg/total 1997 (percent)
Rural	2,249	3,559,962	4,387,759	827,797	23	20.3	16.1
Formerly rural	557	3,132,441	4,449,079	1,316,638	42	20.5	12.3
Urban 1950	274	13,816,570	10,536,902	-3,279,668	-24	23.9	11.5
All	3,080	20,508,973	19,373,740	-1,135,233	-6	22.7	12.5

Sources: *Regional Economic Information System* (USDC 1999b) and author's calculations.

drawn to the competitive advantages of rural areas, also made possible by technological change.

The New Economy and the Old

Much of the new economy is so new that it does not yet appear in the latest federal statistics. The most recent *County Business Patterns* provides data for 1997, a time before the Internet, e-commerce, dot.com, and the digital divide became part of popular culture and commercial life. Yet we can use the 1997 data to get some clues about rural America's potential role in the new economy.

A good starting point is national CBP data for 1990 and 1997. The high-wage industries that created the most jobs over that period were health services (2.5 million jobs), engineering and management services (708,000), computer and data processing services (680,000), wholesale trade (482,000), and security and commodity brokers (264,000). How did rural America fare in attracting these jobs? Are there signs in the 1997 data that rural America is and will actively participate in the new economy?

Answering these questions is not just a matter of looking up data. Much employment information within CBP is suppressed by the Census Bureau to protect the confidentiality of companies. The numbers shown in Table 3 result from estimating the employment in each county and then adding up the numbers by county for urban, formerly rural, and rural America.[7] The table shows the percentage of each high-wage growth industry found in each type of county and its location quotients (LQ). Take the location quotient of 1.49 for security and commodity brokers in urban areas as an example. Formed by dividing the urban areas' share of the nation's employment in security and commodity brokers (88 percent) by the urban areas' share of the nation's total employment (59 percent), the location quotient of 1.49 literally means that urban areas have one and a half times their proportionate share of security and commodity broker jobs. Whenever an area has a greater share of a particular industry than it does of all jobs, the location quotient is greater than one; hence, the area is relatively specialized in that industry and presumably has a competitive advantage.

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Table 3
SHARES OF NATIONAL EMPLOYMENT AND LOCATION QUOTIENTS FOR SELECTED GROWTH INDUSTRIES, 1997

Industry	SIC	Rural		Formerly rural		Urban	
		Percent	LQ	Percent	LQ	Percent	LQ
Total employment	——	18	1.00	23	1.00	59	1.00
Health services	8000	16	.92	21	92	62	1.06
Wholesale trade	5000, 5100	11	.63	19	.83	70	1.18
Catalog and mail-order houses	5961	10	.57	19	.81	71	1.20
Engineering and management services	8700	7	.38	21	.92	72	1.22
Help supply services	7363	6	.36	22	.93	72	1.22
Computer and data processing services	7370	3	.15	20	.86	77	1.31
Security and commodity brokers	6200	2	.13	9	.41	88	1.49
Prepackaged software	7372	2	.12	17	.74	81	1.36

Sources: *County Business Patterns* 1997 (USDC 1999a) and author's calculations.

Both rural areas and formerly rural areas lag behind the 1950 urban areas in every growth industry examined here. The urban areas have more than their proportionate share, and the rural areas lag more than the formerly rural ones. For example, urban America has 136 percent of its share of the software industry, formerly rural America has 74 percent, and rural America has only 12 percent.

Yet there are signs of rural economic opportunity in these numbers. Sticking with the software industry, 2 percent of all jobs are in rural areas and 19 percent in rural or formerly rural areas. Existence proves possibility. These numbers mean the stories of "lone eagles" are true. People can do new economy jobs in rural areas. In 1997, there were 5,700 software jobs in rural areas and another 44,000 in formerly rural areas. The broader industry, computer and data services, provided 38,000 jobs in rural areas and another 290,000 in formerly rural areas. Catalog sales, not a growth industry, but shown as a possible precursor and indicator of Internet sales, yielded 22,000 and 40,000 jobs in rural and formerly rural areas, respectively. Wholesale trade, perhaps an indicator of the capacity to handle e-commerce order fulfillment facilities, provided 758,000 rural jobs. Health services is the only growth industry in which rural America already has close to its share. Indeed, hospitals are the single largest employers in many rural counties.

The traditional competitive advantage of rural areas in primary and related secondary industries remains very important and leaps from Table 4. These results are consistent with our mental sketch of rural America. For example, rural America has three times its share of meatpacking, poultry processing, and other meat products, once an urban

Table 4
SHARES OF NATIONAL EMPLOYMENT AND LOCATION QUOTIENTS FOR SELECTED OLD INDUSTRIES, 1997

Industry	SIC	Rural		Formerly rural		Urban	
		Percent	LQ	Percent	LQ	Percent	LQ
Forestry	800	62	3.52	22	.97	16	.26
Farming	100	61	3.48	27	1.14	12	.21
Lumber and wood products	2400	55	3.11	24	1.04	21	.36
Meat products	2010	54	3.05	21	.92	25	.42
Mining	1000–1400	42	2.41	21	.91	36	.61
Food and kindred products	2000	32	1.81	23	.98	45	.77
Apparel and other textile products	2300	31	1.76	16	.70	53	.89
Motor vehicles and equipment	3710	23	1.33	25	1.08	52	.87
Hotels and motels	7010	19	1.08	31	1.31	50	.85
Total employment	——	18	1.00	23	1.00	59	1.00

Sources: *County Business Patterns* 1997 (USDC 1999a) and author's calculations.

activity, too. Perhaps the newest development is the motor vehicle industry. Urban areas still have the majority of jobs, but rural areas now have 191,000 jobs, or 23 percent. The rural America of 1950 has close to half the automobile manufacturing jobs—something probably unthinkable 50 years ago. The results for hotels and motels give credence to the many claims that travelers and tourists can be important parts of rural economies. Hotels and motels alone provide some 310,000 jobs in rural areas, and the rural America of 1950 has half the nation's hotel and motel employment.

Taken together, these results for the old and new economy suggest that rural America abounds in opportunity. Since rural areas have succeeded in providing a large enough workforce for the automobile industry, they ought to be able to do the same for significant components of the new economy. There seems to be very little that is not possible in rural America. Traditionally rural industries continue to provide jobs; traditionally urban jobs flourish in rural areas, too; and new economy jobs do not stop at the city line either. One should not be sanguine about the prospects of all rural places, and those that are not doing well are the topic of another section.

Senior Citizens and Immigrants

The aging of America promises to provide a demographic source of economic opportunity for rural America. Many an economic development professional has already recognized that the retired elderly create jobs when they move into an area and

Table 5
POPULATION CHANGE BY TYPE OF AREA, 1990-99

Measure	Rural	Formerly rural	Urban	All
Increase in the elderly population, 1990-99	450,054	1,517,212	1,489,499	3,456,765
Percent elderly increase, 1990-99	6%	21%	9%	11%
Elderly increase as share of total increase	12%	13%	17%	14%
Elderly share of total population, 1999	15%	12%	12%	13%
Elderly location quotient	1.15	.96	.96	1.00
Net domestic migration, 1990-99	1,901,062	5,372,487	-7,272,875	674
Percent population increase, 1990-99	8%	19%	6%	10%

Sources: Population estimates available at www.census.gov and author's calculations.

spend their retirement pensions, social security income, and savings. Many places have already entered the competition to entice elderly migrants as a deliberate economic development strategy.

The prospects for revitalizing rural America with the money of the Baby Boom generation seem enormous. The Census Bureau projects almost a doubling of the elderly population from 2000 to 2025. There will be 63 million elderly in 2025, 28 million more than today (U.S. Bureau of the Census 2000). They are perhaps the wealthiest retired generation in the nation's history and are expected to seek out retirement homes and condominiums in desirable settings.

Census estimates for the 1990s do not provide data on county-level migration of the elderly. There are data on changes in the number of elderly, but those numbers combine the effects of younger age groups crossing the 65-year line ("aging in place") with the effects of migration. The basic facts seem to be that rural America had the lowest percentage increase in elderly population in the 1990s when compared to formerly rural America and urban America (Table 5). The elderly constitute a greater share of the rural population, but that can stem from the outmigration of younger people as well as from the inmigration of retirees. In fact, the increase in the elderly population was a smaller part of the total population increase in rural areas than elsewhere.[8]

The history of specific areas is far more instructive than gross aggregates to understand the power of the elderly to transform rural America. Four criteria pinpoint 36 illustrative counties. Their populations increased at least 10 percent in the 1990s, their elderly populations grew at a faster rate than their total populations and increased by at least 1,000 people, and the elderly share of their 1999 populations is more than 19.2 percent, one and a half times the national elderly share. All the counties that meet these criteria were rural in 1950, and half remain

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Table 6
NET FOREIGN IMMIGRATION BY COUNTY TYPE, 1990-99

County type	Number of counties	Net immigration	Percent of immigration	LQ	Immig./Pop. change (percent)
Rural	2,292	342,027	5	.23	9
Formerly rural	574	1,391,422	19	.71	12
Urban	274	5,744,574	77	1.43	65
All	3,141	7,478,078	100	1.00	31

Sources: Population estimates available at www.census.gov and author's calculations.

rural today. Seventeen are in Florida, five in Texas, four in North Carolina, two in Arizona and Washington, and one each in six other states.

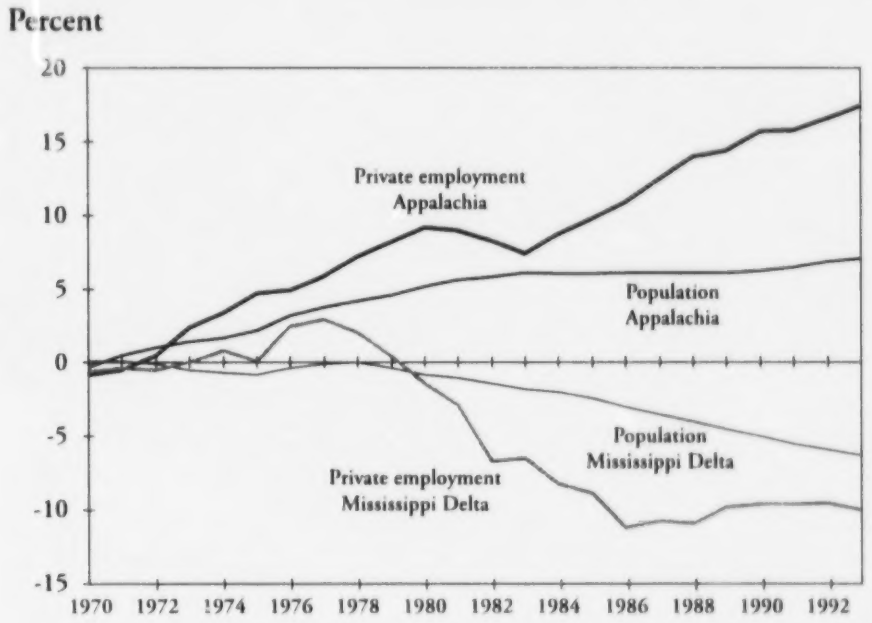
Statistics for Lee County, Florida, demonstrate the economic potential of Gray Growth. In 1950, Lee was a rural county of 23,000 residents, not adjacent to any metropolitan area. Today it has over 400,000 residents, and its 103,000 senior citizens are 26 percent of its population. Its elderly population increased 20,000 or 24 percent between 1990 and 1999. In short, 50 years sufficed to transform a small rural county into the Fort Myers-Cape Coral metropolitan area.

Other rural counties had similar experiences. Some like Lee became the core of new metropolitan areas: Brevard, Florida, from 24,000 residents in 1950 to 470,000 in 1999 with 20 percent elderly; Mohave, Arizona, from 8,500 to 134,000 and 22 percent elderly; and Barnstable, Massachusetts, from 47,000 to 213,000 and 23 percent elderly. Others remain rural, among them: Citrus, Florida, from 6,000 residents to 116,000 and 31 percent elderly; Polk, Texas, from 16,000 to 73,000 and 20 percent elderly; Henderson, North Carolina, from 31,000 to 83,000 and 22 percent elderly; Garland, Arkansas, from 47,000 to 84,000 and 23 percent elderly; and Clallam, Washington, from 26,000 to 65,000 and 21 percent elderly. All these counties and others with similar histories were not adjacent to a 1950 metropolitan county. They grew on their own, propelled to a large degree by senior citizens.

Keeping this half century perspective in mind, there seems to be no reason that portions of today's rural America will not have similar senior momentum. Some rural counties will add tens of thousands of residents. The USDA (1995) has identified 190 rural counties that experienced 15 percent or more inmigration of people 60 or older in the 1980s. With the doubling of the elderly population in the next 25 years, many more rural places can expect to become retirement destinations.

Immigration is another major demographic force. Highly focused in its location pattern, it seems at first glance to be an urban phenomenon, much like some of the growth industries in Table 3. More than three-quarters of immigrants between 1990 and 1999 lived in the 1950 urban areas, and only 5 percent live in today's rural areas (Table 6). Yet that small fraction is 342,000 people and accounts for 9 percent of total rural population change over the decade.

Chart 1
GROWTH OF THE RURAL COUNTIES OF APPALACHIA AND THE LOWER MISSISSIPPI DELTA RELATIVE TO THEIR TWINS, 1969-93



Statistics for individual counties show the importance of recent immigration as a local economic force. There are 76 counties nationally for which net immigration between 1990 and 1999 equals at least 5 percent of their 1999 populations. They include 31 rural counties, 19 formerly rural counties, and 26 urban counties. Pushing the criterion to 10 percent leaves 20 counties, of which nine are rural, two formerly rural, and nine urban.

The nine metropolitan immigration magnets are famous. They are all counties of the Miami, New York, San Francisco, and Los Angeles areas. The top two are Miami-Dade County and Kings County (Brooklyn, New York City), whose recent immigration of roughly 330,000 each is 15 percent of their 1999 populations. Far less well known are rural counties such as Presidio, Texas, whose 1,900 recent immigrants are 21 percent of the population; Santa Cruz, Arizona, 5,300 immigrants and 14 percent; Imperial, California, 19,000 immigrants and 13 percent; Franklin, Washington, 4,700 immigrants and 10 percent; and Seward, Kansas, 2,000 immigrants and 10 percent.

The 2000 census will confirm what many suspect from case studies, personal observation, and the 1990 census: a great and growing role of immigrants in the rural economy. Immigrant workers are extremely important to farming, meatpacking, other food production, textiles and apparel, and several service industries. Immigrants also are key rural

Table 7
POPULATION OF DISTRESSED COUNTIES BY COUNTY TYPE

County type	Number of counties	Population 1999	Poverty 1993	Unemployed 1996	Total type population	Percent located in distressed
Rural	258	5,402,992	1,635,591	257,869	53,925,500	10.0
Formerly rural	10	1,955,011	596,840	126,894	71,833,306	2.7
Urban	4	4,357,484	1,385,033	182,429	146,885,222	3.0
All	272	11,715,487	3,617,464	567,192	272,644,028	4.3

Sources: *U.S. counties 1998* (USDC 1999c), www.census.gov, and author's calculations.

professionals, most visibly perhaps the many foreign-trained physicians in underserved rural areas.

Rural Places Left Behind

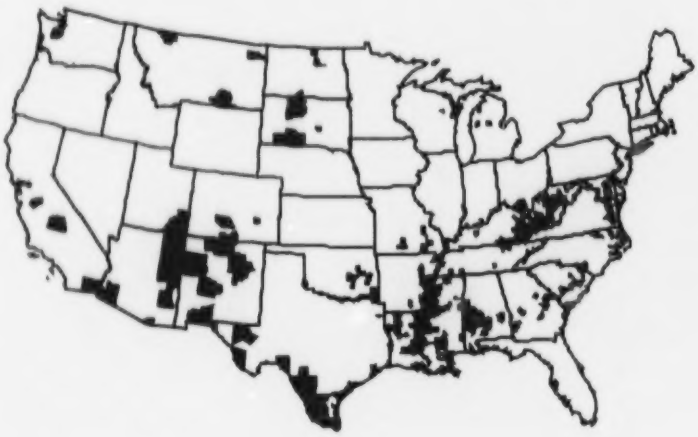
A competitive advantage of rural America in the policy realm is that its problems are of a small enough scale that affordable public policy can make a big difference. For evidence consider the experience of the Appalachian Regional Commission, this nation's only sustained attempt at national regional development policy. Official Appalachia has 22 million people, 42 percent in rural areas. Since 1965, a coordinated federal-state effort has built over 2,000 miles of highways and 800 miles of access roads, constructed or equipped over 700 vocational and technical facilities, provided funding for 300 primary health clinics and hospitals, and supported over 2,000 water and sewer systems.

The result has been impressive. The rural counties of Appalachia have grown faster than their twins outside the region in income, employment, and population (Isserman and Rephann, Isserman). The differences are stunning: 17 percentage points faster employment growth on average during the period 1969-93, when rural employment grew 43 percent nationally (Chart 1). In contrast, the rural counties of another lagging region, the lower Mississippi Delta, where Congress continues to refuse to initiate a similar program, fell further and further behind their control group, 11 percentage points on average.

The Appalachian Regional Commission uses a grim set of requirements to define its distressed counties (ARC 1999, Section 7.5). Applying them nationally, 272 counties qualify as distressed based on data from the mid-1990s. Each has more than 150 percent of the national poverty and unemployment rates and less than two-thirds the national per capita market income (personal income minus transfer payments), or twice the poverty rate and at least one of the other two conditions.[9] Almost all the counties are in rural America, with only ten in formerly rural America and four in 1950 urban America (Bronx and Kings in New York City, and Laredo and El Paso in Texas). Ten percent of the people in rural America live in distressed counties compared to 3 percent in both formerly rural America and urban America (Table 7).

Two arguable implications can be drawn from the statistics in Table 6 and the Appalachian results. First, improving life and alleviating the distressed conditions in the 258 rural counties are well within

Figure 4
AMERICA'S MOST DISTRESSED COUNTIES



the wherewithal and capabilities of effective rural policy. Second, the metropolitanization of rural America appears to accomplish much of the task, although that is a testable hypothesis.

The distressed counties exhibit a marked regional pattern. They are found predominantly in central Appalachia, the lower Mississippi Delta and the associated Black Belt, the Mexican borderlands, and Indian country (Figure 4). These terms intentionally evoke the rainbow nature of rural distress. Yet, for whatever reason and with whatever excuse, only in Appalachia, where the distress is predominantly white, has this nation mustered a sustained and comprehensive rural development policy.

Conclusions and Policy Implications

Much of today's rural America will be the fastest growing part of the nation the next half century. The long-term prosperity and growth of this country, the spread of large cities and the creation of new ones, the addition of almost 30 million more senior citizens, and the accelerated diffusion of immigrants into rural areas are powerful forces contributing to the development of rural America. Rural areas are competitive in a broad and growing range of industries, which in time will include significant elements of today's urban-oriented new economy.

Some rural places continue to be left behind. We know what our policy response should be, and we know how to do successful regional development. Yet we lack the will and continue to let rural places languish unnecessarily with poverty and unemployment rates in the 30 to 50 percent range. I once recommended that the Appalachian Regional Commission become the American Regional Commission and focus on the problems of the nation's most distressed regions (Isserman). The governors of the 13 states in Appalachia were too smart to support such an initiative. Why should they, when it would only mean a sharing of resources and attention with other places and people, many worse off than their constituents? When recommending policy, we have

to consider political feasibility, and we have to strive to understand why this nation has failed always to initiate and sustain urban policy, rural policy, or regional policy.

Our current statistical system makes it impossible for us to talk about rural America from a factual foundation, and even misleads us. We must decide what rural is and then measure it. The proposed new system of megapolitan, macropolitan, and micropolitan areas will not help (*Federal Register*, October 20, 1999, pp. 56,628-44). The world does not separate into urban and rural activities at county boundaries. With the geographical information systems and computer capacity of this age, we should be able to create statistics for urbanized areas and rural areas, at a minimum by separating our county statistics into those two components. We must stop being satisfied with a statistical system that leaves us guessing about conditions in rural America.

As more than a million metropolitan farmers demonstrate, urban and rural are intertwined. Key policy issues result from the interaction of urban and rural activities. Many farm families exist by combining farm and city incomes. The continuous metropolitanization of rural America is one dimension of that interaction. Yet metropolitanization does not mean the demise of rural activities. Rural policy must recognize their interaction and assure that growth happens on fair and wise terms conducive to both rural and urban people and activities.

Endnotes

[1] These numbers are my calculations. The county data on population and farms in 1940 and 1950 come from the *County and City Data Book, Consolidated File, County Data, 1944-77*, originally a Census Bureau computer tape now available from the Inter-university Consortium for Political and Social Research housed at the University of Michigan (www.icpsr.umich.edu). A list of metropolitan counties in 1950 can be found in U.S. Department of Commerce (1953), and the list of metropolitan counties in 1999 can be downloaded from the Census website, www.census.gov. I added together the data for the 274 metropolitan counties of 1950 and, separately, for the other 2,821 counties. Pitfalls in such work stem from changes in county boundaries, creation of new counties, modifications to the Federal Information Processing System (fips) codes, different practices among federal agencies, and suppressed data. The sum of the data for the two groups of counties, however, was between 99.9 and 100.2 percent of the sum of the data for the 48 states—the closest to national totals that I could derive for the six variables. Resolving those small discrepancies was beyond the resources, time, and needs of this paper. Alaska and Hawaii are not included because neither was a state in 1950.

[2] I derived these figures using the Census Bureau's estimates of 1999 county populations, as well as the methods, metropolitan definitions, and 1950 data described in the previous end note. The 1999 data can be downloaded from www.census.gov. The 1950-99 calculations are based on 274 metropolitan and 2,812 other counties. Nine counties for which there were 1940 and 1950 data lacked 1999 data because of changes in county geography; four are in Virginia and two include parts of Yellowstone National Park. The counties used in the 1950-99 comparisons account for 99.9 percent of the 1950 and 99.6 percent of the 1999 populations of the continental United States. Alaska and Hawaii are again excluded.

[3] The employment data are from the *Regional Economic Information System* of the Bureau of Economic Analysis (U.S. Department of Commerce 1999b). The fips codes of the Bureau of Economic Analysis (BEA) differ from those of the Bureau of the Census, the treatment of independent cities in Virginia being the most important departure. I added the BEA fips codes to the metropolitan county file before making the calculations reported here. In all, there are 274 metropolitan, 557 formerly rural, and 2,244 rural counties for which 1969 and 1997 data exist. They account for 99.99 and 99.98 percent of 1969 and 1997 national employment, Alaska and Hawaii being again excluded.

[4] Here I utilized the Census population estimates mentioned in endnote 2 and the classification of counties created by the Economic Research Service, U.S. Department of Agriculture (and commonly referred to as the Beale code). The 1993 version of the code can be downloaded from www.ers.usda.gov. Beale code classifications and 1999 population estimates are both available for 836 metropolitan and 2,302 other counties. Their populations equal almost 100 percent of the national population (99.998%) including Alaska and Hawaii. Twelve counties have moved from rural to formerly rural since the code was released. Ten of them are included in the future metropolitan America of Figure 3. The two that are not underscore the fact that even places not adjacent to a metropolitan area and with fewer than 20,000 urban residents can become formerly rural, too.

[5] These calculations are based on employment data from the *Regional Economic Information System* (U.S. Department of Commerce 1999b). Farming includes both farm proprietors and farm employees. Alaska and Hawaii are excluded. More than 99.99 percent of the 1969 and 1997 farming employment in the continental United States is accounted for in the county data.

[6] These calculations entailed the same methods and data sources as the farming calculations. At least 99.98 percent of the 1969 and 1997 manufacturing employment in the continental United States is accounted for in the county data.

[7] I made the county employment estimates using *County Business Patterns* data (U.S. Department of Commerce 1999a) and a computer algorithm developed with Oleg Smirnov while we both were associated with the Regional Research Institute of West Virginia University. The method and alternative ones are described in Gerking et al. (2001). This particular method does not assure that the county estimates sum to the national employment by industry, but they were within 0.5 percent of national employment for every industry in Tables 3 and 4 except hotels and motels (99.1 percent), engineering and management services (98.8 percent), and mining (87.8 percent). The percentage shares for rural, formerly rural, and urban shown in the tables are based on the sum of the counties.

[8] I derived these numbers and all others in this section from Census Bureau estimates of county population, elderly population, migration, and immigration. The data are available at www.census.gov in the section for population estimates. Alaska and Hawaii are included. Note that net domestic migration sums to 674 in Table 5, not zero as it would by definition. The reason is that one, and only one, county in the United States is formerly metropolitan and, therefore, not included in most tables. It had –674 net migration for 1990-99. Fayette County, West Virginia, was part of the Charleston metropolitan area in 1950, but is rural today. Its population fell from 82,000 in 1950 to 47,000 in 1999.

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[9] I identified the distressed counties using 1994 income and population, 1993 poverty, and the average of 1994, 1995, and 1996 unemployment rates. These data are the most recent available on *U.S. Counties 1998* (U.S. Department of Commerce 1999c). The Appalachian Regional Commission itself uses 1990 poverty data from the census instead of more recent survey estimates.

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Creating New Economic Opportunities: Discussion

Moderator: Larry Meeker

Mr. Meeker: Before we begin questions for the panel, we have an opportunity here as we have with the other speakers to ask a few questions of Andy.

Everett Dobrenksi, *CoBank:* I'm one of those metropolitan farmers that you're talking about from North Dakota. Could you tell me why I have to drive 50 miles to the nearest movie theater?

Mr. Isserman: Well, I was listening pretty carefully earlier today, and I heard that you're linked to a satellite already and you don't have to drive. It's not energy efficient and we don't have enough ethanol gas, so why in the world would you do that? Well, I'm sure the Research Station at Iowa State can send you some fine popcorn, that is if you don't mind genetically modified popcorn that pops faster and better.

Mr. Meeker: There's a question over here.

Bob Coppedge, *New Mexico State University:* You mentioned Michael Porter's work, and you've used the term "comparative advantage" throughout your presentation. What about the distinction he makes with "competitive advantage?"

Mr. Isserman: You know, I think that might be this two-o'clock-in-the-morning syndrome, and I'll be real careful when I edit things, but yes, I probably would have wanted to say "competitive advantage." Does anything that I said not ring true when I was going through those advantages in terms of competitive advantage?

Bob Coppedge: Right, but I saw them as "competitive" not "comparative" advantages that he talks about.

Mr. Isserman: Yes, I appreciate that.

Mr. Meeker: Other questions of Andy before we continue?

Julie Johnson, *South Dakota Rural Development Council:* There's been a trend line in some of the dialogue today about various federal definitions of "rural" getting us in trouble, one way or the other. Oftentimes, they're attached to a variety of federal programs, some of which fit in rural America and some of which don't. As we're building a new rural development policy, any advice about how federal programs that tend to be stovepipe in nature, tend to be one agency at a time kind of in nature, can fit together better to provide better service in our geographically sparse places?

Mr. Isserman: I thought I had an answer to the first part, then I got it with the geographically sparse places. What I was going to say, the important part when we're talking about a new Center, a new rural policy, is the rural policy for what areas and for whom, and what do we mean by "rural?" I was suggesting the nonmetro thing doesn't cut it. And where I was going to go with that is there are a lot of policy issues that are concerned with the interaction of urban and rural folks. Urban sprawl is one of them, land reuse issues. An urban planner friend who said that, "Gee, in all these years, I never really realized that that land belonged to people and was

already in some other use and that it wasn't just a city spreading outward."

I think defining rural policy in that broad way and linking it up with urban folks is politically wise. It's a bigger constituency. That's why the Appalachian Regional Commission has succeeded 26 Senators. It doesn't hurt as a starting point.

Now in terms of the sparse places, that's the part that I don't know about. The writer Rachel Calof ended up moving to Seattle after 25 years in North Dakota. I guess it was an even longer drive to the popcorn. You're talking about this area in here, the Central Plains. You've already heard all of the insults that it ought to be a buffalo common, right, and that you ought to be encouraged to move away and let the buffalo roam, and that kind of stuff. I've been more concerned with problems in West Virginia and Appalachia that don't fit that, so I should probably shut up because I don't have anything good to say. I mean, I don't have anything real to say... I don't know enough about the situation there.

Mr. Meeker: Another question for Andy before we turn to the panel?

Beau Beaulieu, *Southern Rural Development Center:* You've made a really compelling argument about the distressed communities and really how the ARC model should be emulated in the Delta. I guess I want to get your reaction to either Clinton's New Markets Initiative. Or I understand the Republican leadership has just now introduced a bill, titled something like "The American Renewal Communities Act of 1999," which sounds to me pretty much like a new markets initiative. But obviously you don't want to embrace a new market if you're not a Democrat. The bottom line is, are those policies likely to be responsive to the kinds of issues that you're talking about in these distressed communities? Because really, it's nothing more than tax incentives for businesses to locate in these areas.

Mr. Isserman: I don't know. What I'm pretty sure of is that this Appalachian approach works, and it was a lot more than just tax incentives. It was an Appalachian share of federal money put to those purposes; whereas, other parts of the country took their share of federal monies in different things. Like, the Delta got lots of military base money and cotton support.

I'm of the impression that it needs a sustained concerted effort. It's been 35 years now in Appalachia. You know, you build these 2,000 miles of highway a mile at a time, a Congressional battle at a time. You fight against being closed down each time. And, when they set up these kind of commissions in other parts of the country, they didn't fund them as well, and they all died out. They weren't worth fighting for and protecting. So, I don't know. You know, I'm in a new job now, and I get to study those things to make my living, and I look forward to learning more about them.

There is sort of a feeling that there are really strong economic forces that are going to create lots of economic opportunities in many, many parts of rural America. That's how I read the record of the Fifties. I thought this was going to be a talk more about programs and business, training and support services, and venture capital, and the usual things that you expect when people talk about creating opportunity. You know, indigenous growth. I didn't realize that when I went back 50 years how strong these other forces appeared to be. It wasn't a spin-off of the University of Nevada that created Las Vegas, to put it that way. You need something to work with.